

SUMMARY
Informal Agent Meeting
Wednesday, October 18, 2000

Office of Private Employer Health Care Coverage Staff:

- A.B. Orlik, Program Manager
- Phil Borden, Director

Guests:

- Diana Ambrosius, Jack Schroeder and Associates, Inc. (Green Bay)
- Jo Anne Burris, LMT–Maritime Inc. and Wisc. Association of Health Underwriters (Sheboygan)
- Bob Jartz, Independent Insurance Agents of Wisconsin and a coalition representing Professional Insurance Agents of Wisconsin and Wisc. Association of Insurance and Financial Advisors (Madison, with members statewide)
- Dan Schwartzer, Wisconsin Association of Health Underwriters (Madison, with members statewide)
- Dale Thoma, Frank F. Haack & Associates, Inc. (Milwaukee)

The meeting began with a brief overview of the Private Employer Health Care Purchasing Alliance, its goals, and progress to date. Four primary issues were placed on the table:

- Benefit plan design
- Underwriting/rating
- Agent/broker compensation
- Formalization of an agent advisory group

The ensuing discussion touched on all of these issues, and more, in no particular order.

Bob expressed his coalition's strong support for the program and indicated that the timing is right: employers are anxious to try something new.

Dale raised the question of insurance carrier interest. Phil shared that health plans are clearly interested and are stating so publicly, but that we have yet to gauge their actual willingness to participate in a formal way.

Regarding underwriting and rating, Jo Anne and Dan shared that WAHU had launched an ambitious project two years ago to develop a universal application. They and others indicated that it would likely not be as difficult to reach consensus today, as health plans ask fewer questions, instead opting to send a second form requesting details from those answering "yes" to any of the initial questions. Dan will provide information from the project to A.B. and Phil.

Questions arose about the types of coverage which will be available: HMO, PPO, indemnity. Diane indicated that there are no networks in northeastern Wisconsin and Jo Anne mentioned that HMOs have not been successful in her area of the state.

There was general consensus at the table that HMOs, not PPOs or indemnity carriers, would be at greater risk of adverse selection under an employee-choice model, given their richer plan design features and generally lower premium rates. This runs counter to the research A.B. and

Phil have read, and to experience in California. Documentation may be difficult to come by, but would be extremely helpful.

Dale mentioned the erosion of capitation in the Milwaukee market and elsewhere and the impact of HMO plans with discounted fee-for-service arrangements and no gatekeepers (as some plans have removed this feature of managed care, as well). This started a general discussion of market trends, including Gunderson's unwillingness to contract with any health plan and Aurora's building of a Green Bay hospital.

Dan brought up Wis. Ch. 609, regarding managed care plans. PPOs are currently covered under the chapter, unless they meet a "de minimis" standard for exemption. The PPO industry is lobbying to be exempted from the regulations completely, but until or unless that measure passes, the PEHCPA will want to keep an eye on the de minimis requirements for plan design and marketing, as PPOs will be likely to participate only if those requirements are met.

A.B. and Phil affirmed the Department's commitment to designing a program such that health plan participation makes good business sense. Jo Anne mentioned that agents will be looking for fair compensation and simplicity in presentation.

Dale brought up the importance of the program being at the forefront of industry trends: Increasing consumer involvement by raising deductibles and coinsurance rates, providing incentive for patients to talk with their providers before receiving expensive treatment; improving stability for employers; pooling a larger group of employers to stabilize risk for insurers (too many small pools have actually fragmented risk).

Regarding agent compensation, discussion revealed that current practice varies widely among carriers: Some pay a per-employee flat fee while others pay a percent of premium, which may vary based on the size of the group. Jo Anne suggested increasing the commission rate as agents achieved a threshold of enrolled employees, as a possible incentive. All participants agreed to gather and send to A.B. or Phil data about current market practices.

When asked whether they would prefer to provide input informally or as a formal advisory group to the Board, all participants indicated that they would be happy to serve in either capacity, at the Board's will.

After reviewing the geographic distribution of the group, it was agreed that representatives from northcentral or northwestern Wisconsin and the La Crosse or Eau Claire areas would be welcome. Participants agreed to forward to A.B. their suggestions of others who might be interested. In addition, both Dan and Bob indicated their willingness to broadcast questions to their members, should we want a broader perspective on specific issues.